

ORIGINAL

OPEN MEETING AGENDA ITEM



0000120830

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

Arizona Corporation Commission

DOCKETED

DEC 15 2010

2010 DEC 15 A 10:31

AZ CORP COMMISSION  
DOCKET CONTROL

DOCKETED BY

*[Signature]*

COMMISSIONERS

KRISTIN K. MAYES, Chairman

GARY PIERCE

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

IN THE MATTER OF THE UNS GAS INC.  
APPLICATION FOR APPROVAL OF ITS  
PROPOSED ENERGY EFFICIENCY  
FINANCING PILOT PROGRAM.

DOCKET NO. G-04204A-08-0571

**SWEEP COMMENTS ON  
THE STAFF REPORT AND  
RECOMMENDED ORDER**

**COMMENTS OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT**

The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit comments in response to the Recommended Order filed by Staff on December 7, 2010, and on the UNS Gas ("Company") exceptions to the Recommended Order, regarding the UNS Gas Application for Approval of its Proposed Energy Efficiency Financing Pilot Program.

SWEEP thanks Staff for its exceptional efforts in preparing the Recommended Order while working in parallel on reviews of several other energy efficiency applications. Staff's efforts are much appreciated.

SWEEP also thanks the Flagstaff-based Sustainable Economic Development Initiative ("SEDI") for their extensive input into the design of the program and related efforts to assist customers. The SEDI input, analysis, and comments throughout the planning process were very instrumental in shaping an effective residential financing program for Commission consideration.

SWEEP agrees with the vast majority of Staff's report and the Recommended Order, supports the Energy Efficiency Financing Pilot Program, and urges Commission approval of the financing program with the two Mayes amendments. SWEEP notes that while the proposed financing program does not meet all of the objectives of SEDI or of SWEEP, UNS Gas balanced many objectives in the design of the program. The result is a good effort and a significant step forward, which will assist UNS customers to reduce their energy costs. In this situation SWEEP recommends that the perfect should not be the enemy of the good, and therefore SWEEP supports the program and the two Mayes amendments.

Below SWEEP provides its comments on the Recommended Order, the UNS Gas exceptions, and the Mayes amendments.

1  
2 1. To be fully effective, all of the primary elements of the residential existing home  
3 program need to be in place and working well.  
4

5 An effective existing home program needs: (a) the home performance assessment  
6 (education, initial measure installation, assessment/audit, recommendations, and  
7 facilitation/referrals), (b) cost-effective measures approved by the Commission, and (c)  
8 attractive and convenient financing to help fund the installation of the measures  
9 (generally the major measures like insulation and heating/cooling system replacements,  
10 for which financing is very beneficial). Financing is not very effective without the other  
11 elements, and the other elements need financing to help customers achieve deeper energy  
12 savings and reach more customers.  
13

14 Thankfully, the Commission and the Company have been making good progress in  
15 getting all three elements of an effective residential program in place.  
16

17 2. SWEEP supports the proposed financing program, with the two Mayes amendments.  
18

19 The proposed financing program has much to like, including an attractive interest rate for  
20 customers (5.99-7.99% with the 2% buy-down), convenient access to financing through  
21 the delivery of the program, longer terms for the loans (up to 12 years) which result in  
22 better cash flow for the customer, and moderate credit qualifying requirements (FICO  
23 scores of 640 or higher).  
24

25 SWEEP acknowledges that the proposed program does not meet each and every objective  
26 of SEDI or of SWEEP, but the program meets many of the most important objectives,  
27 and enough of those objectives to be a good effort and a significant step forward.  
28

29 3. SWEEP recommends Commission adoption of Mayes Amendment 1, to increase the  
30 size of the program and the number of customers served.  
31

32 SWEEP supports Mayes Amendment 1, which would increase the program budget from  
33 \$321,386 (or from \$371,386 with the utility coordination funding, addressed below) to  
34 \$700,000. This budget increase would enable the program to provide more than double  
35 the loans proposed by the Company, from 344 to over 700 loans (considering that the  
36 increased program budget is needed to fund the loan loss reserve and the interest rate  
37 buy-down, and that some of the other program costs will not increase directly  
38 proportionally). SWEEP agrees that it is important to provide additional funding and  
39 financing to reach more customers.  
40

41 4. SWEEP recommends Commission adoption of Mayes Amendment 2, to encourage  
42 and enable the coordinated efforts of gas and electric utilities, which will benefit  
43 customers.  
44

45 As noted in the UNS Gas exceptions, SWEEP has been encouraging the utilities to work  
46 together and coordinate their program efforts, to provide a wider array of services to

1 customers in a manner that is most convenient for customers (e.g., one assessment for  
2 both gas and electric energy savings opportunities rather than two separate visits, one  
3 loan to finance both gas and electric measures, etc.). The \$50,000 in proposed funding  
4 for utility coordination payments is a reasonable and important step forward in these  
5 coordination efforts. Commission approval of the utility coordination funding would  
6 further encourage and enable the utilities to coordinate the program efforts, which would  
7 benefit customers and make program participation more convenient for customers.  
8

9 5. SWEEP does not support the Company-proposed recovery of lost revenues in this  
10 program application.  
11

12 As SWEEP has stated before the Commission several times, SWEEP supports decoupling  
13 and could consider interim "bridge" mechanisms towards the adoption of decoupling in  
14 rate cases, for utilities that will not be in rate cases in the near future. However, SWEEP  
15 has also stated that such bridge mechanisms to address fixed cost recovery and lost  
16 revenues should be considered systematically (not for just one program or for one utility)  
17 and on a going-forward basis (e.g., potentially as part of the consideration of future  
18 Energy Efficiency Implementation Plans).  
19  
20

21 Thank you for the opportunity to provide these comments on the residential financing  
22 program.